

Major Drilling Announces First Quarter EBITDA up 80%

06.09.2022 | [GlobeNewswire](#)

MONCTON, Sept. 06, 2022 - [Major Drilling Group International Inc.](#) ("Major Drilling" or the "Company") (TSX: MDI), a leading provider of specialized drilling services to the mining sector, today reported results for the first quarter of fiscal 2023, ended July 31, 2022.

Highlights

- Highest quarterly revenue and net earnings in 10 years.
- Revenue of \$199.8 million, an increase of 32% over the same period last year.
- EBITDA⁽¹⁾ for the quarter was \$43.5 million (or \$0.53 per share), an increase of 80% compared to the same period last year.
- Net earnings of \$24.2 million, or \$0.29 per share for the quarter, more than double the net earnings of \$11.1 million, or \$0.14 per share for the same period last year.
- Net cash at \$8.5 million compared to net debt of \$1.6 million in April 2022.
- Good progress in labour recruiting, training, and retention.

"During the quarter, we saw a continued increase in the demand for our complex specialized drilling services, despite the economic uncertainties experienced over the last three months," said Denis Larocque, President and CEO of Major Drilling. "With the strong operational leverage in our business model, we were again able to produce robust results."

"Our training efforts around the world are going very well, helping our growth and productivity, which has contributed to the recent growth in gross margins. Developing our crews is crucial in order to maintain our position of dominance in the specialized drilling market. Demand for our specialized drilling services continues to grow, as senior customers rely on Major Drilling to execute their increasingly challenging drill programs," continued Mr. Larocque.

"Fiscal 2023 is off to a great start with EBITDA of \$43.5 million, an 80% increase from the same quarter last year. Elevated activity levels in most operating jurisdictions showcased the operational leverage in the business as the Company produced a very profitable quarter generating net earnings of \$24.2 million or \$0.29 a share, more than 100% growth from the same quarter last year," commented Ian Ross, CFO of Major Drilling. "With the balance sheet in great shape and strong cash generation in the quarter, the Company repaid \$20 million of long-term debt, ending the quarter in a net cash position of \$8.5 million. The Company spent \$13.2 million on capital expenditures including the purchase of 7 new drills while disposing of 10 older, less efficient rigs, bringing the total fleet count to 600 drills".

"Despite a decline in commodity prices since the beginning of 2022, activity levels currently remain stable. A slowdown in junior mining financing is being offset by a desire from senior customers to continue to grow their reserves, both in precious and base metals. With metal prices remaining at levels well above what is needed to support exploration, we are already in discussions with several senior customers for their calendar 2023 programs, with many looking to book their rigs early," said Denis Larocque.

"With the growing supply shortfall in both gold and copper, several of our senior customers have committed to prioritizing value-adding grassroots exploration and development programs. The global demand for electrification continues to grow and will require an enormous volume of copper, battery metals and uranium, which will increase pressure on the existing supply/demand dynamic. We expect all of this to lead to substantial additional investments in copper and other base metal exploration projects as we help our customers discover the metals that will allow the world to accelerate its efforts toward a green economy. Many of the new mineral deposits in question are located in areas challenging to access, requiring complex drilling solutions, continuing the demand for Major Drilling's specialized services."

"Major Drilling remains in a unique position to react to, and benefit from these market dynamics. Backed by our strong financial position, our success in recruiting, training and inventory management has allowed us to maintain our position as both the operator and employer of choice in our industry," concluded Mr. Larocque.

In millions of Canadian dollars (except earnings per share)	Q1 2023	Q1 2022
Revenue	\$ 199.8	\$ 151.0
Gross margin	25.6 %	20.1 %
Adjusted gross margin ⁽¹⁾	30.8 %	26.3 %
EBITDA ⁽¹⁾	43.5	24.2
As percentage of revenue	21.8 %	16.1 %
Net earnings	24.2	11.1
Earnings per share	0.29	0.14

(1) See "Non-IFRS Financial Measures"

First Quarter Ended July 31, 2022

Total revenue for the quarter was \$199.8 million, up 32.3% from revenue of \$151.0 million recorded in the same quarter last year. The favourable foreign exchange translation impact on revenue and net earnings for the quarter, when comparing to the effective rates for the same period last year, was approximately \$4 million and \$1 million, respectively.

Revenue for the quarter from Canada - U.S. drilling operations increased by 32.6% to \$112.6 million, compared to the same period last year. Demand for specialized drilling services remained elevated during the quarter while operations ran smoothly due to sound inventory management and successful labour recruitment and training.

South and Central American revenue increased by 34.9% to \$47.5 million for the quarter, compared to the same quarter last year. The increase from the prior year was driven by improved pricing environments, as well as improved performance in Chile and Argentina as they recovered from pandemic-related shutdowns, despite the usual seasonal slowdown.

Australasian and African revenue increased by 28.8% to \$39.8 million, compared to the same period last year. The regional growth is mainly attributed to having three months of the McKay acquisition revenue included in the quarterly results compared to only two months in the prior year.

Gross margin percentage for the quarter was 25.6%, compared to 20.1% for the same period last year. Depreciation expense totaling \$10.4 million is included in direct costs for the current quarter, versus \$9.3 million in the same quarter last year. Adjusted gross margin, which excludes depreciation expense, was 30.8% for the quarter, compared to 26.3% for the same period last year. Despite the negative impact of COVID-19 in the Company's Australasian region, and global inflationary headwinds, margins improved from the prior year quarter due to overall pricing improvements and enhanced productivity.

General and administrative costs were \$16.2 million, an increase of \$2.6 million compared to the same quarter last year, primarily due to increased employee compensation and increased travel costs with the ease of COVID-19 restrictions.

Other expenses were \$3.0 million, up from \$2.6 million in the prior year quarter, due primarily to higher incentive compensation expenses throughout the Company, given the increased profitability.

The income tax provision for the quarter was an expense of \$7.3 million, compared to an expense of \$2.7 million for the prior year period. The increase from the prior year was due to an overall increase in profitability.

Net earnings were \$24.2 million or \$0.29 per share (\$0.29 per share diluted) for the quarter, compared to net

earnings of \$11.1 million or \$0.14 per share (\$0.13 per share diluted) for the prior year quarter.

Non-IFRS Financial Measures

The Company's financial data has been prepared in accordance with IFRS, with the exception of certain financial measures detailed below. The measures below have been used consistently by the Company's management team in assessing operational performance on both segmented and consolidated levels, and in assessing the Company's financial strength. The Company believes these non-IFRS financial measures are key, for both management and investors, in evaluating performance at a consolidated level and are commonly reported and widely used by investors and lending institutions as indicators of a company's operating performance and ability to incur and service debt, and as a valuation metric. These measures do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Adjusted gross profit/margin - excludes depreciation expense:

(in \$000s CAD)	Q1 2023	Q1 2022
Total revenue	\$ 199,835	\$ 150,995
Less: direct costs	148,661	120,635
Gross profit	51,174	30,360
Add: depreciation	10,414	9,309
Adjusted gross profit	61,588	39,669
Adjusted gross margin	30.8 %	26.3 %

EBITDA - earnings before interest, taxes, depreciation, and amortization:

(in \$000s CAD)	Q1 2023	Q1 2022
Net earnings	\$ 24,248	\$ 11,060
Finance costs	430	472
Income tax provision	7,285	2,715
Depreciation and amortization	11,541	9,989
EBITDA	\$ 43,504	\$ 24,236

Net cash (debt) - cash net of debt, excluding lease liabilities reported under IFRS 16 Leases:

(in \$000s CAD)	July 31, 2022	April 30, 2022
Cash	\$ 61,118	\$ 71,260
Contingent consideration	(23,000)	(22,907)
Long-term debt	(29,655)	(50,000)
Net cash (debt)	\$ 8,463	\$ (1,647)

Forward-Looking Statements

This new release includes certain information that may constitute "forward-looking information" under applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this news release that address future events, developments, or performance that the Company expects to occur (including management's expectations regarding the Company's objectives, strategies, financial condition, results of operations, cash flows and businesses) are forward-looking statements. Forward-looking statements are typically identified by future or conditional verbs such as "outlook", "believe", "anticipate", "estimate", "project", "expect", "intend", "plan", and terms and expressions of similar import. All forward-looking information in this news release is qualified by this cautionary note.

Forward-looking information is necessarily based upon various estimates and assumptions including, without limitation, the expectations and beliefs of management related to the factors set forth below. While these factors and assumptions are considered reasonable by the Company as at the date of this document in light

of management's experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information.

Such forward-looking statements are subject to a number of risks and uncertainties that include, but are not limited to: the level of activity in the mining industry and the demand for the Company's services; the level of funding for the Company's clients (particularly for junior mining companies); competitive pressures; global political and economic environments; the integration of business acquisitions and the realization of the intended benefits of such acquisitions; the Company's dependence on key customers; exposure to currency movements (which can affect the Company's revenue in Canadian dollars); implications of the COVID-19 pandemic; currency restrictions; the geographic distribution of the Company's operations; the impact of operational changes; changes in jurisdictions in which the Company operates (including changes in regulation); failure by counterparties to fulfill contractual obligations; as well as other risk factors described under "General Risks and Uncertainties" in the Company's Annual Information Form for the year ended April 30, 2022, available on the SEDAR website at www.sedar.com. Should one or more risk, uncertainty, contingency, or other factor materialize or should any factor or assumption prove incorrect, actual results could vary materially from those expressed or implied in the forward-looking information.

Forward-looking statements made in this document are made as of the date of this document and the Company disclaims any intention and assumes no obligation to update any forward-looking statement, even if new information becomes available, as a result of future events, or for any other reasons, except as required by applicable securities laws.

About Major Drilling

[Major Drilling Group International Inc.](#) is one of the world's largest drilling services companies primarily serving the mining industry. Established in 1980, Major Drilling has over 1,000 years of combined experience and expertise within its management team alone. The Company maintains field operations and offices in Canada, the United States, Mexico, South America, Asia, Africa, and Australia. Major Drilling provides a complete suite of drilling services including surface and underground coring, directional, reverse circulation, sonic, geotechnical, environmental, water-well, coal-bed methane, shallow gas, underground percussive/longhole drilling, surface drill and blast, and a variety of mine services.

Webcast/Conference Call Information

[Major Drilling Group International Inc.](#) will provide a simultaneous webcast and conference call to discuss its quarterly results on Wednesday, September 7, 2022 at 9:00 AM (EDT). To access the webcast, which includes a slide presentation, please go to the investors/webcast section of Major Drilling's website at www.majordrilling.com and click on the link. Please note that this is listen-only mode.

To participate in the conference call, please dial 416-340-2217, participant passcode 3755631# and ask for Major Drilling's First Quarter Results Conference Call. To ensure your participation, please call in approximately five minutes prior to the scheduled start of the call.

For those unable to participate, a taped rebroadcast will be available approximately one hour after the completion of the call until Saturday, October 8, 2022. To access the rebroadcast, dial 905-694-9451 and enter the passcode 4424825#. The webcast will also be archived for one year and can be accessed on the Major Drilling website at www.majordrilling.com.

Major Drilling's Annual General Meeting will be held virtually on Thursday, September 8, 2022 at 3:00pm Eastern and can be accessed at www.virtualshareholdermeeting.com/MDI2022.

For further information:
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[Major Drilling Group International Inc.](#)

Interim Condensed Consolidated Statements of Operations
(in thousands of Canadian dollars, except per share information)
(unaudited)

	Three months ended July 31	
	2022	2021
TOTAL REVENUE	\$ 199,835	\$ 150,995
DIRECT COSTS (note 7)	148,661	120,635
GROSS PROFIT	51,174	30,360
OPERATING EXPENSES		
General and administrative (note 7)	16,174	13,608
Other expenses	3,020	2,607
(Gain) loss on disposal of property, plant and equipment	(698)	(324)
Foreign exchange (gain) loss	715	222
Finance costs	430	472
	19,641	16,585
EARNINGS BEFORE INCOME TAX	31,533	13,775
INCOME TAX EXPENSE (RECOVERY) (note 8)		
Current	7,701	2,432
Deferred	(416)	283
	7,285	2,715
NET EARNINGS	\$ 24,248	\$ 11,060
EARNINGS PER SHARE (note 9)		
Basic	\$ 0.29	\$ 0.14
Diluted	\$ 0.29	\$ 0.13

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Interim Condensed Consolidated Statements of Comprehensive Earnings
(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2022	2021
NET EARNINGS	\$ 24,248	\$ 11,060
OTHER COMPREHENSIVE EARNINGS (LOSS)		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on foreign currency translations	(3,092)	2,005
Unrealized gain (loss) on derivatives (net of tax)	(1,632)	177
COMPREHENSIVE EARNINGS	\$ 19,524	\$ 13,242

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Interim Condensed Consolidated Statements of Changes in Equity
For the three months ended July 31, 2022 and 2021

(in thousands of Canadian dollars)
(unaudited)

	Share capital	Retained earnings (deficit)	Other reserves	Share-based payments reserve	Foreign currency translation reserve
BALANCE AS AT MAY 1, 2021	\$ 243,379	\$ (22,456)	\$ 1,067	\$ 5,559	\$ 52,614
Share issue (note 11)	12,911	-	-	-	-
Exercise of stock options	3,280	-	-	(920)	-
Share-based compensation	-	-	-	78	-
Stock options expired/forfeited	-	20	-	(20)	-
	259,570	(22,436)	1,067	4,697	52,614
Comprehensive earnings:					
Net earnings	-	11,060	-	-	-
Unrealized gain (loss) on foreign currency translations	-	-	-	-	2,005
Unrealized gain (loss) on derivatives	-	-	177	-	-
Total comprehensive earnings (loss)	-	11,060	177	-	2,005
BALANCE AS AT JULY 31, 2021	\$ 259,570	\$ (11,376)	\$ 1,244	\$ 4,697	\$ 54,619
BALANCE AS AT MAY 1, 2022	\$ 263,183	\$ 31,022	\$ 1,536	\$ 3,996	\$ 60,021
Exercise of stock options	761	-	-	(267)	-
Share-based compensation	-	-	-	112	-
	263,944	31,022	1,536	3,841	60,021
Comprehensive earnings:					
Net earnings	-	24,248	-	-	-
Unrealized gain (loss) on foreign currency translations	-	-	-	-	(3,092)
Unrealized gain (loss) on derivatives	-	-	(1,632)	-	-
Total comprehensive earnings (loss)	-	24,248	(1,632)	-	(3,092)
BALANCE AS AT JULY 31, 2022	\$ 263,944	\$ 55,270	\$ (96)	\$ 3,841	\$ 56,929

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Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

	Three months ended July 31	
	2022	2021
OPERATING ACTIVITIES		
Earnings before income tax	\$ 31,533	\$ 13,775
Operating items not involving cash		
Depreciation and amortization	11,541	9,989
(Gain) loss on disposal of property, plant and equipment	(698)	(324)
Share-based compensation	112	78
Finance costs recognized in earnings before income tax	430	472
	42,918	23,990
Changes in non-cash operating working capital items	(16,468)	(5,386)
Finance costs paid	(430)	(472)
Income taxes paid	(5,350)	(1,300)

Cash flow from (used in) operating activities	20,670	16,832
FINANCING ACTIVITIES		
Repayment of lease liabilities	(444)	(442)
Repayment of long-term debt (note 6)	(20,000)	(272)
Issuance of common shares due to exercise of stock options	494	2,360
Proceeds from draw on long-term debt	-	35,000
Cash flow from (used in) financing activities	(19,950)	36,646
INVESTING ACTIVITIES		
Business acquisitions (net of cash acquired) (note 11)	-	(37,869)
Acquisition of property, plant and equipment	(13,154)	(11,653)
Proceeds from disposal of property, plant and equipment	2,291	1,363
Cash flow from (used in) investing activities	(10,863)	(48,159)
Effect of exchange rate changes	1	(208)
INCREASE (DECREASE) IN CASH	(10,142)	5,111
CASH, BEGINNING OF THE PERIOD	71,260	22,359
CASH, END OF THE PERIOD	\$ 61,118	\$ 27,470

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Interim Condensed Consolidated Balance Sheets

As at July 31, 2022 and April 30, 2022

(in thousands of Canadian dollars)

(unaudited)

	July 31, 2022	April 30, 2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 61,118	\$ 71,260
Trade and other receivables (note 12)	142,574	142,621
Income tax receivable	2,176	2,037
Inventories	97,874	96,782
Prepaid expenses	13,148	8,960
	316,890	321,660
PROPERTY, PLANT AND EQUIPMENT (note 5 and note 11)	197,668	198,196
RIGHT-OF-USE ASSETS	5,083	5,479
DEFERRED INCOME TAX ASSETS	3,990	4,351
GOODWILL (note 11)	22,598	22,798
INTANGIBLE ASSETS (note 11)	4,177	4,596
	\$ 550,406	\$ 557,080
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	\$ 93,826	\$ 102,596
Income tax payable	7,453	5,022
Current portion of lease liabilities	1,606	1,502
Current portion of contingent consideration	8,668	8,619
	111,553	117,739
LEASE LIABILITIES	3,369	3,885
CONTINGENT CONSIDERATION (note 11)	14,332	14,288

LONG-TERM DEBT	29,655	50,000
DEFERRED INCOME TAX LIABILITIES	11,609	11,410
	170,518	197,322
SHAREHOLDERS' EQUITY		
Share capital	263,944	263,183
Retained earnings	55,270	31,022
Other reserves	(96)	1,536
Share-based payments reserve	3,841	3,996
Foreign currency translation reserve	56,929	60,021
	379,888	359,758
	\$ 550,406	\$ 557,080

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JULY 31, 2022 AND 2021 (UNAUDITED)
(in thousands of Canadian dollars, except per share information)

1. NATURE OF ACTIVITIES

[Major Drilling Group International Inc.](#) (the "Company") is incorporated under the Canada Business Corporations Act and has its head office at 111 St. George Street, Moncton, NB, Canada. The Company's common shares are listed on the Toronto Stock Exchange ("TSX"). The principal source of revenue consists of contract drilling for companies primarily involved in mining and mineral exploration. The Company has operations in Canada, the United States, Mexico, South America, Asia, Africa, and Australia.

2. BASIS OF PRESENTATION

Statement of compliance

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies as outlined in the Company's annual Consolidated Financial Statements for the year ended April 30, 2022.

On September 6, 2022, the Board of Directors authorized the financial statements for issue.

Basis of consolidation

These Interim Condensed Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statements of Operations from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

Basis of preparation

These Interim Condensed Consolidated Financial Statements have been prepared based on the historical cost basis, except for certain financial instruments that are measured at fair value, using the same accounting policies and methods of computation as presented in the Company's annual Consolidated Financial Statements for the year ended April 30, 2022.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENTS

The preparation of financial statements, in conformity with International Financial Reporting Standards ("IFRS"), requires management to make judgments, estimates and assumptions that are not readily apparent from other sources, which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Depending on the severity and duration of disruptions caused by the COVID-19 pandemic, results could be impacted in future periods. It is not possible at this time to estimate the magnitude of such potential future impacts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Significant areas requiring the use of management estimates relate to the useful lives of property, plant and equipment for depreciation purposes, property, plant and equipment and inventory valuation, determination of income and other taxes, assumptions used in the compilation of fair value of assets acquired and liabilities assumed in business acquisitions, amounts recorded as accrued liabilities, contingent consideration, allowance for impairment of trade receivables, and impairment testing of goodwill and intangible assets.

The Company applied judgment in determining the functional currency of the Company and its subsidiaries, the determination of cash-generating units ("CGUs"), the degree of componentization of property, plant and equipment, the recognition of provisions and accrued liabilities, and the determination of the probability that deferred income tax assets will be realized from future taxable earnings.

4. SEASONALITY OF OPERATIONS

The third quarter (November to January) is normally the Company's weakest quarter due to the shutdown of mining and exploration activities, often for extended periods over the holiday season.

5. PROPERTY, PLANT AND EQUIPMENT

Capital expenditures for the three months ended July 31, 2022 were \$13,154 (2021 - \$11,653). The Company did not obtain direct financing for the three months ended July 31, 2022 or 2021.

6. LONG-TERM DEBT

During the quarter, the Company made a discretionary payment of \$20,000 on its revolving term facility.

7. EXPENSES BY NATURE

Direct costs by nature are as follows:

	Q1 2023	Q1 2022
Depreciation	\$ 10,414	\$ 9,309
Employee salaries and benefit expenses	65,992	56,190

Cost of material	30,654	22,753
Other	41,601	32,383
	\$ 148,661	\$ 120,635

General and administrative expenses by nature are as follows:

	Q1 2023	Q1 2022
Amortization of intangible assets	\$ 362	\$ 279
Depreciation	765	401
Employee salaries and benefit expenses	8,665	7,863
Other general and administrative expenses	6,382	5,065
	\$ 16,174	\$ 13,608

8. INCOME TAXES

The income tax provision for the period can be reconciled to accounting earnings before income tax as follows:

	Q1 2023	Q1 2022
Earnings before income tax	\$ 31,533	\$ 13,775
Statutory Canadian corporate income tax rate	27 %	27 %
Expected income tax provision based on statutory rate	8,514	3,719
Non-recognition of tax benefits related to losses	156	489
Utilization of previously unrecognized losses	(1,945)	(2,334)
Other foreign taxes paid	1,006	216
Rate variances in foreign jurisdictions	102	87
Derecognition of previously recognized losses	-	861
Permanent differences and other	(548)	(323)
Income tax provision recognized in net earnings	\$ 7,285	\$ 2,715

The Company periodically assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Company records its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax laws. While management believes they have adequately provided for the probable outcome of these matters, future results may include favourable or unfavourable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved, or when the statutes of limitations lapse.

9. EARNINGS PER SHARE

All of the Company's earnings are attributable to common shares, therefore, net earnings are used in determining earnings per share.

	Q1 2023	Q1 2022
Net earnings	\$ 24,248	\$ 11,060
Weighted average number of shares:		
Basic (000s)	82,739	81,731
Diluted (000s)	83,151	82,221
Earnings per share		
Basic	\$ 0.29	\$ 0.14
Diluted	\$ 0.29	\$ 0.13

The calculation of diluted earnings per share for the three months ended July 31, 2022 excludes the effect of 128,396 options, (2021 - 46,793) as they were not in-the-money.

The total number of shares outstanding on July 31, 2022 was 82,846,004 (2021 - 82,310,554).

10. SEGMENTED INFORMATION

The Company's operations are divided into the following three geographic segments, corresponding to its management structure: Canada - U.S.; South and Central America; and Australasia and Africa. The services provided in each of the reportable segments are essentially the same. The accounting policies of the segments are the same as those described in the Company's annual Consolidated Financial Statements for the year ended April 30, 2022. Management evaluates performance based on earnings from operations in these three geographic segments before finance costs, general corporate expenses and income taxes. Data relating to each of the Company's reportable segments is presented as follows:

	Q1 2023	Q1 2022
Revenue		
Canada - U.S.*	\$ 112,600	\$ 84,859
South and Central America	47,453	35,190
Australasia and Africa	39,782	30,946
	\$ 199,835	\$ 150,995

*Canada - U.S. includes revenue of \$46,024 (2021- \$46,999) for Canadian operations.

	Q1 2023	Q1 2022
Earnings from operations		
Canada - U.S.	\$ 23,752	\$ 12,192
South and Central America	9,053	104
Australasia and Africa	3,164	5,641
	35,969	17,937
Finance costs	430	472
General corporate expenses**	4,006	3,690
Income tax	7,285	2,715
	11,721	6,877
Net earnings	\$ 24,248	\$ 11,060

**General corporate expenses include expenses for corporate offices and stock options.

Capital expenditures		
Canada - U.S.	\$ 8,406	\$ 8,415
South and Central America	3,331	2,448
Australasia and Africa	1,152	790
Unallocated and corporate assets	265	-
Total capital expenditures	\$ 13,154	\$ 11,653

	Q1 2023	Q1 2022
Depreciation and amortization		
Canada - U.S.	\$ 5,395	\$ 4,235
South and Central America	2,513	2,537
Australasia and Africa	3,413	2,884
Unallocated and corporate assets	220	333
Total depreciation and amortization	\$ 11,541	\$ 9,989

	July 31, 2022	April 30, 2022
Identifiable assets		
Canada - U.S.*	\$ 255,379	\$ 236,669
South and Central America	138,181	128,791
Australasia and Africa	200,285	203,370
Unallocated and corporate liabilities	(43,439)	(11,750)
Total identifiable assets	\$ 550,406	\$ 557,080

*Canada - U.S. includes property, plant and equipment as at July 31, 2022 of \$59,576 (April 30, 2022 - \$56,469) for Canadian operations.

11. BUSINESS ACQUISITION

McKay Drilling PTY Limited

Effective June 1, 2021, the Company acquired all of the issued and outstanding shares of McKay Drilling PTY Limited ("McKay"), a leading specialty drilling contractor based in Western Australia.

The acquisition was accounted for using the acquisition method. The Company acquired 20 drill rigs, support equipment and inventory, existing contracts and receivables, as well as retaining the operation's management team, and other employees, including experienced drillers.

The purchase price for the transaction was \$71,073, consisting of \$38,050 in cash (net of cash acquired), \$12,911 in Major Drilling shares and an additional payout of \$20,112 (discounted) tied to performance. The maximum amount of the contingent consideration is \$25,000 AUD, with a payout period extending over three years from the effective date of June 1, 2021, contingent upon achievement of certain EBITDA (earnings before interest, taxes, depreciation and amortization) milestones.

Goodwill arising from this acquisition was equal to the excess of the total consideration paid over the fair value of the net assets acquired and represents the benefit of expected synergies, revenue growth, an experienced labour force and future market development.

The valuation of assets and purchase price allocation have been finalized. The net assets acquired at fair value at acquisition were as follows:

Net assets acquired	
Trade and other receivables	\$ 10,475
Inventories	1,595
Prepaid expenses	1,773
Property, plant and equipment	44,466
Goodwill (not tax deductible)	15,543
Intangible assets	5,558
Trade and other payables	(7,379)
Deferred income tax liabilities	(958)
Total assets	\$ 71,073
Consideration	
Cash	\$ 39,031
Less: cash acquired	(981)
Contingent consideration	20,112
Shares of Major Drilling	12,911
Total consideration	\$ 71,073

Subsequent to the date of acquisition, the trade and other receivables included in the above net assets

acquired have been fully collected. Intangible assets acquired are amortized over five years.

The above consideration includes non-cash investing activities, which are not reflected in the Interim Condensed Consolidated Statements of Cash Flows, including the issuance of 1,318,101 shares of Major Drilling for a total of \$12,911, and contingent consideration of \$20,112 (discounted).

In the previous year, the Company incurred acquisition-related costs of \$454 relating to external legal fees and due diligence costs. These acquisition costs have been included in the other expenses line of the Interim Condensed Consolidated Statements of Operations.

The results of the McKay operations are included in the Interim Condensed Consolidated Statements of Operations from June 1, 2021.

12. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, trade and other receivables, demand credit facilities and trade and other payables approximate their fair value due to the relatively short period to maturity of the instruments. The carrying value of contingent consideration and long-term debt approximates their fair value as the interest applicable is reflective of fair market rates.

Financial assets and liabilities measured at fair value are classified and disclosed in one of the following categories:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company has entered into certain derivative financial instruments to manage its exposure to interest rate and market risks, including an interest rate swap, with a notional value of \$20,000 maturing in May of 2023, and share-price forward contracts with a combined notional amount of \$5,983, maturing at varying dates through June 2025.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The Company's derivatives, with fair values as follows, are classified as level 2 financial instruments. There were no transfers of amounts between level 1, level 2 and level 3 financial instruments for the quarter ended July 31, 2022.

	July 31, 2022	April 30, 2022
Interest rate swap	\$ 345	\$ -
Share-price forward contracts	\$ 1,617	\$ 5,468

Credit risk

As at July 31, 2022, 94.1% (April 30, 2022 - 94.0%) of the Company's trade receivables were aged as current and 0.7% (April 30, 2022 - 1.2%) of the trade receivables were impaired.

The movements in the allowance for impairment of trade receivables during the three and twelve-month periods were as follows:

	July 31, 2022	April 30, 2022
Opening balance	\$ 1,517	\$ 1,638
Increase in impairment allowance	185	744
Recovery of amounts previously impaired	(25)	(303)
Write-off charged against allowance	(729)	(549)
Foreign exchange translation differences	(14)	(13)
Ending balance	\$ 934	\$ 1,517

Foreign currency risk

As at July 31, 2022, the most significant carrying amounts of net monetary assets and/or liabilities (which may include intercompany balances with other subsidiaries) that: (i) are denominated in currencies other than the functional currency of the respective Company subsidiary; and (ii) cause foreign exchange rate exposure, including the impact on earnings before income taxes ("EBIT"), if the corresponding rate changes by 10%, are as follows (in 000s CAD):

	Rate variance	USD/CAD	MNT/USD	USD/AUD	MXN/USD	IDR/USD
Net exposure on monetary assets (liabilities)		13,062	7,245	3,745	2,739	2,499
EBIT impact	+/-10%	1,451	805	416	304	278

Liquidity risk

The following table details contractual maturities for the Company's financial liabilities:

	1 year	2-3 years	4-5 years	Thereafter	Total
Trade and other payables	\$ 93,826	\$ -	\$ -	\$ -	\$ 93,826
Lease liabilities (interest included)	1,788	2,151	970	331	5,240
Contingent consideration (undiscounted)	8,765	16,109	-	-	24,874
Long-term debt (interest included)	651	30,249	-	-	30,900
	\$ 105,030	\$ 48,509	\$ 970	\$ 331	\$ 154,840

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